

**Report of the
PUBLIC EMPLOYEE RETIREMENT
ADMINISTRATION COMMISSION
on the Examination of Certain Expenses
of the Waltham Retirement Board
For the Six Year Period
January 1, 1995 – December 31, 2000**

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February 11, 2003

The Public Employee Retirement Administration Commission has completed an examination of certain expenses of the Waltham Retirement System pursuant to G.L. c. 32, §21. The examination covered the period from January 1, 1995 to December 31, 2000. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00.

In our opinion the financial records and management functions with respect to expenses are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners David Pickering, Edward Johnson, and James Ryan who conducted this examination and express appreciation to the Waltham Retirement Board, the current Executive Director and the Board staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton
Executive Director

Waltham Retirement Board

FOR THE SIX YEAR PERIOD ENDING December 31, 2000

The Waltham Retirement Board

The plan is a contributory defined benefit plan covering all Waltham Retirement System member unit employees deemed eligible by the Retirement Board, with the exception of school department employees who serve in a teaching capacity. The Teacher's Retirement Board administers the pension of such school department employees.

Instituted in 1937, the System is a Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory upon commencement of employment for all permanent, full-time employees.

Selection Criteria:

During a regular audit of the Pittsfield Retirement Board, PERAC Auditors discovered a letter from the Board Chairman to one of the Board's fund managers. The letter contained references to a trip taken by the Chairman, which may have been financed by a third party investment broker. The trip, as it was described to us, was in violation of 840 CMR 17.03 (d).

During a subsequent interview with the Chairman regarding the trip, he explained that it included several other Massachusetts Retirement Board members, whom he went on to name. Boards on which the named members serve were then contacted and a review of certain Board expenditures was conducted for the six-year period January 1, 1995 through December 31, 2000. The Pittsfield Audit was referred to the Attorney General's Office on April 20, 2001.

Audit Scope

The scope of our audit was to review and analyze the internal controls over certain expenses and to review the Board's internal policies and management functions related to this matter. We reviewed expenses for the period of January 1, 1995 to December 31, 2000 inclusive.

Waltham Retirement Board

FOR THE SIX YEAR PERIOD ENDING DECEMBER 31, 2000 (Continued)

Travel Regulations:

On March 7, 2002 PERAC issued Memorandum #15/2002, "Guidelines for Retirement Board Travel Supplemental Regulations" and directed Boards to adopt supplemental regulations consistent with the guidelines. On August 5, 2002 the Waltham Retirement Board submitted Supplemental Travel Regulations for review and approval. On September 25, 2002 the Board was advised that its proposed Regulations were inconsistent with the guidelines in several respects.

Amended Travel Regulations were again submitted to PERAC and approved on January 16, 2003.

Waltham Retirement Board

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE SIX YEAR PERIOD ENDING DECEMBER 31, 2000

Travel Expenses:

PERAC auditors reviewed all available travel and expense records and noted that the records were sparse, incomplete or missing. The auditors were unable to accurately substantiate travel expenses against the appropriate documentation.

One Board member had the use of a credit card issued to the Board. The Board did not review or match invoices to the charges appearing on the credit card, but merely paid such invoices without proper support.

During the period from July 23, 2000 to November 27, 2000 there were thirteen warrants that were either not signed or were signed by less than three members of the Board.

Lastly, during the period examined, there were only four discussions of travel requests in the minutes of the meetings, while the records indicate there was significantly more travel than discussed at the meetings.

Recommendation:

PERAC regulation 840 CMR 25.15(3) requires that all administrative expenses be approved and authorized by the Retirement Board and that the approval be reflected in the minutes of the Board meeting. In addition, regulation 840 CMR 25.15(4) requires that there must be proper receipts on file with the Board for all expenses incurred. It is recommended that the Waltham Retirement Board secure back-up documentation for any and all expenses, and that such material be attached to each voucher listed on the warrants. Furthermore, the Board must discontinue paying for any and all personal expenses, including the expenses of spouses and significant others. The Board should seek reimbursement for all personal expenses.

The Administrator must review the chart of accounts periodically to be sure that all expenses are classified correctly and that no check is issued without the proper approvals.

Waltham Retirement Board

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE SIX YEAR PERIOD ENDING DECEMBER 31, 2000

Board Response:

The Board feels that with the new executive director and the approval by PERAC of our Travel Regulations, all expenses would be accountable. Therefore, this finding is corrected.